CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS)
SPECIAL TERMS AND CONDITIONS

PROJECT NUMBER: 11-W-00158/1
PROJECT TITLE: Maine Care for Childless Adults
AWARDEE: Maine Department of Human Services

I. PREFACE

The following are Special Terms and Conditions (STCs) for the award of the Maine Medicaid Section 1115 Health Care Reform Demonstration request submitted on February 22, 2002.

Maine agrees that it will comply with all applicable Federal statutes relating to non-discrimination. These include, but are not limited to the Americans with Disabilities Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975.

Letters, documents, reports, or other material that is submitted for review or approval shall be sent to the Centers for Medicare and Medicaid Services (CMS) Central Office Maine Demonstration Project Officer and the Maine Representative at the CMS Boston Regional Office.

II. LEGISLATION

1. All requirements of the Medicaid program expressed in laws, regulations, and policy statements, not expressly waived or identified as not applicable in the award letter of which these STCs are part, shall apply to the Maine section 1115 demonstration. To the extent that changes in the enforcement of such laws, regulations, and policy statements would have affected State spending in the absence of the demonstration in ways not explicitly anticipated in this agreement, CMS (after consultation with the State) will incorporate such effects into a modified budget limit for the demonstration. The modified budget limit would be effective upon enforcement of the law, regulation, or policy statement.

2. Maine shall, within the time frame specified in law, come into compliance with any changes in Federal law or regulations affecting the Medicaid program that occur after the demonstration award date.

III. PROGRAM DESIGN/OPERATIONAL PLAN

3. **Pre-Implementation Requirements.** All Special Terms and Conditions prefaced with an asterisk (*) contain requirements that must be approved by CMS prior to the implementation date for the demonstration. No Federal Financial participation (FFP) will be provided for section 1115 program demonstration eligibles until CMS has approved these requirements.

FFP will be available for project development and implementation, compliance with Special Terms and Conditions, and the readiness review. Unless otherwise specified where the State is required to obtain CMS approval of a submission, CMS will make every effort to respond to the submission in writing within 45 days of receipt of the submission. The CMS and the State will make every effort to ensure that each submission is approved within 60 days from the date of CMS' receipt of the original submission.

4. **Benefits.** Maine's section 1115 demonstration must adhere to all requirements of the approved Medicaid program. The State's section 1115 demonstration will utilize the same health care delivery system and benefit package that is currently available under the Maine Medicaid program. Any changes to the benefit package must be approved by CMS. For instance, as mentioned in the State's Health Insurance Flexibility Accountability (HIFA) application, if the State decides to reduce coverage to the State Employee Health Plan benefit package, they must first seek approval to do so from CMS.

5. **Demonstration Population.** Applicants who are childless adults up to 125 percent of the Federal Poverty Level (FPL) are eligible for this demonstration. An applicant is an individual who was not otherwise known to be eligible for the full array of Medicaid services at the time of application.

6. *** Preparation of Operational Protocol.** Prior to service delivery under this demonstration, the State must prepare and CMS must approve an Operational Protocol document that represents all policies and operating procedures applicable to this demonstration. The required content of the Operational Protocol is outlined in Section VII of these Special Terms and Conditions.

7. **Expenditure Cap.** The State of Maine has requested and CMS agreed to an expenditure cap equal to the amount of future State legislative appropriations. The State should submit, and CMS must approve, information 90 days prior to the start of the fiscal year which specifies the level of coverage the State will provide which shall not exceed 125 percent FPL. During the demonstration year, any additional changes to the level of coverage should be submitted no later than 90 days prior to the date of implementation of the change(s) for approval by CMS.

8. **Phase Out Plan.** Maine will submit a phase-out plan for the demonstration to CMS six months prior to initiating normal phase-out activities and, if desired by the State, an extension plan on a timely basis to prevent disenrollment of beneficiaries if the waiver is extended by CMS. During the last six months of the demonstration, no enrollment of individuals who would not be eligible under current law will be permitted. Nothing herein shall be construed as preventing Maine from submitting a phase-out plan with an implementation deadline shorter than six months when such action is necessitated by emergent circumstances. The phase-out plan is subject to CMS review and approval.

9. **Cooperation with Federal Evaluators.** Should CMS undertake an evaluation of the demonstration, the State must fully cooperate with Federal evaluators and their contractors'

efforts to conduct an independent federally funded evaluation of the demonstration program.

10. **CMS Right to Terminate or Suspend.** The CMS may suspend or terminate this project in whole or in part at any time before the date of expiration, whenever it determines that the State has materially failed to comply with the terms of the project. The CMS will promptly notify the State in writing of the determination and the reason(s) for the suspension or termination, together with the effective date. The State waives none of its rights under 42 CFR 430, Grants to States for Medical Assistance Programs, to challenge CMS' finding that the State materially failed to comply. The CMS reserves the right to deny pending waiver or costs not otherwise matchable requests or withdraw waivers or costs not otherwise matchable at any time if it determines that granting or continuing the waivers would no longer be in the public interest. If the project is terminated or any relevant waivers or costs not otherwise matchable withdrawn, CMS will be liable for only normal close-out costs.

11. **State Right to Terminate or Suspend.** The State may suspend or terminate this demonstration in whole or in part at any time before the date of expiration. The State must promptly notify CMS in writing of the reason(s) for the suspension or termination, together with the effective date. If the project is terminated, or any relevant waivers suspended by the State, CMS will be liable for only normal close-out costs.

IV. GENERAL REPORTING REQUIREMENTS

12. **Quarterly Progress Reports.** Maine will submit quarterly progress reports, which are due 60 days after the end of each quarter. The reports should include, as appropriate, a discussion of events occurring during the quarter that affect health care delivery; benefit package; enrollment and outreach activities; quality of care; access; complaints and appeals to the State; and other operational and policy issues. The report should include proposals for addressing any problems identified in each report. Results of the State's monitoring efforts should be submitted with the quarterly progress reports and annual report.

13. **Annual Reports.** The State must submit a draft annual report documenting accomplishments, project status, quantitative and case study findings, and policy and administrative difficulties no later than six months after the end of each operational year. Within 30 days of receipt of comments from CMS, a final annual report will be submitted.

14. **Final Report.** At the end of the demonstration, a draft final report must be submitted to CMS for comments. The CMS' comments shall be taken into consideration by the State for incorporation into the final report. The final report is due no later than 90 days after the termination of the project.

15. **Monitoring Calls**. The CMS and the State will hold monitoring calls, as appropriate, to discuss issues associated with the implementation and operation of the demonstration.

16. **Enrollment Report.** Maine will provide CMS with a copy of the quarterly enrollment report.

V. GENERAL FINANCIAL REQUIREMENTS

17. The State will report demonstration expenditures through the Medicaid and State Children's Budget and Expenditure System (MBES/CBES), following routine CMS-64 reporting instructions outlined in Section 2500 of the State Medicaid Manual. Expenditures subject to the budget neutrality cap will be reported on separate Forms CMS-64.9Waiver and/or 64.9PWaiver, identified by the demonstration project number assigned by CMS (including the project number extension, which indicates the demonstration year in which services were rendered). The State must report the waiver expenditures by date-of-service in the appropriate waiver year. To accomplish this reporting, every CMS-64.9/CMS-64.9P Waiver form must include the number of the demonstration year in which the services were provided. For monitoring purposes, cost settlements must be recorded on line 10.b, in lieu of Lines 9 or 10.c. For any other cost settlements (i.e., those not attributable to this demonstration), the adjustments should be reported on lines 9 or 10.c, as instructed in the State Medicaid Manual. The term, "expenditures subject to the budget neutrality cap" will include all disproportionate share hospital (DSH) expenditures and all Medicaid expenditures for persons enrolled in the demonstration. The sum of all waiver and DSH expenditures reported and attributed to a particular Federal fiscal year will represent the expenditures subject to the budget neutrality cap for that same Federal fiscal year as shown above.

18. Annual Federal fiscal year reporting and assessment against the current law DSH allotments shall include demonstration expenditures and DSH payments.

19. The State must continue to estimate matchable expenditures for the entire program (including the State plan and the demonstration) on the quarterly Form CMS-37. The State must provide supplemental schedules that clearly distinguish between estimates of expenditures subject to the budget neutrality cap (by major component) and estimates of expenditures that are not subject to the cap.

20. The CMS will provide FFP at the applicable Federal matching rate for the following, subject to the limits described above:

    a. Administrative costs, including those associated with the administration of the demonstration (not subject to the budget neutrality cap);

    b. Net expenditures of the Medicaid program and prior period adjustments which are paid in accordance with the approved State Plan (including DSH payments); and

    c. Net medical assistance expenditures made under section 1115 authority, including those made in conjunction with the demonstration.

21. Maine will certify State/local monies used as matching funds for the State demonstration and

will further certify that such funds will not be used as matching funds for any other Federal grant or contract, except as permitted by Federal law.

VI. BUDGET NEUTRALITY

22. To ensure budget neutrality for this section 1115 demonstration, demonstration costs that may be recognized as expenditures under the plan are limited to an amount that, when added to total DSH payments under the plan, does not exceed the allowable aggregate DSH allotment for the State under the Federal statute (calculated with the Federal and State shares) for each of the five years of the demonstration. The State must continue to comply with the hospital specific limits as provided in OBRA 1993 for DSH payments under the plan; for purposes of these hospital specific limits, individuals eligible only under the demonstration shall be considered "eligible for medical assistance under the State plan."

VII. OPERATIONAL PROTOCOL

23. *** Prior Approval.** Prior to the implementation date, the State must prepare, and CMS must approve, a single Operational Protocol document representing all policies and operating procedures of the demonstration. The protocol must be submitted to CMS no later than 90 days prior to program implementation. CMS will respond within 60 days of receipt of the protocol regarding any issues or areas that require clarification. No FFP will be provided for payments under the demonstration until CMS has approved the Operational Protocol. The State must assure and monitor compliance with the protocol.

24. **Changes to the Operational Protocol.** During the demonstration, changes to the Operational Protocol must be submitted for review by CMS. The State must submit a request to CMS for these changes no later than 90 days prior to the date of implementation of the change(s).

25. **Operational Protocol Content.** At a minimum, the protocol must address all of the following areas, plus any additional features of the demonstration referenced in these STCs or the State's application for the demonstration:

    a) **Organization and Structural Administration.** Describe the organizational and structural administration that will be in place to implement, monitor, and operate the demonstration and coordinate with the Medicaid program, and the tasks each organizational component will perform. Include details about the organizational components responsible for eligibility, outreach, enrollment, compliance with cost sharing limitations, monitoring, evaluation, and financial management.

    b) **Reporting Items.** Describe the content and frequency of each of reporting items as listed in Section IV of this document

    c) **Income Limit.** Discuss the income limits the State will use for the program.
    d) **Eligibility/Enrollment.** Describe all groups eligible for the demonstration; and the processes for eligibility determination and annual redetermination, enrollment

and disenrollment, and procedures for ensuring that all demonstration applicants will be screened for Medicaid eligibility, and if eligible, placed in the Medicaid program. Also describe the State's outreach, marketing, and staff training strategy, including: information that will be communicated to providers, potential demonstration participants, and State outreach/education/eligibility staff; types of media to be used; specific geographical areas to be targeted; types of locations where such information will be disseminated; and the availability of bilingual materials/interpretation services and services for individuals with special needs. The State should also describe how it will review and approve marketing materials prior to their use.

e) **Implementation Schedule.** Discuss the operational details and an implementation schedule.

f) **Premium Assistance.** Describe all details of the premium assistance component of the demonstration, including the State's plan for assuring the cost effectiveness of paying for member premiums, and that recipients are actually enrolled in private or employer-sponsored insurance.

g) **Quality.** Describe the State's overall quality assurance monitoring plan. The plan should include, at a minimum, the following: Quality indicators to be employed to monitor service delivery under the demonstration and the system to be put in place so that feedback from quality monitoring will be incorporated into the program; quality monitoring surveys, and the monitoring and corrective action plans to be triggered by the surveys; and fraud control provisions and monitoring.

h) **Grievances and Appeals.** Describe the grievance and appeal policies that will be in place in the demonstration and how the process will be monitored, with a particular emphasis on complaints related to the premium assistance component and how individuals who choose premium assistance are informed about the use of the state fair hearings process.

i) **Enrollment Cap.** Discuss the operational details. Discuss any process for revising the limit, the process for enrollment, and include a description of any procedure for establishing and maintaining waiting lists for participants in the demonstration. Also, discuss the process which will occur if the eligibility level is lowered during the demonstration and how beneficiaries that may be effected will be notified of these changes.

j) **Screening for Medicaid.** Describe the process that is used to determine that beneficiaries are screened to ensure enrollment in the most beneficial Medicaid program, in terms of benefit package and cost sharing, for which they are eligible. Also describe the redetermination process during the demonstration project.

k) **Uninsured Rates.** The Operational Protocol must include the State's monitoring plan to track changes in the uninsured rate and trends in sources of insurance, including submission of progress reports discussed in Section III. Include in the

description of the plan information on the sources of data and adjustments that were made to establish the base line and which will need to be made in the future. The State should plan on monitoring whether there are unintended consequences of the demonstration, such as high levels of substitution of private coverage and major decreases in employer contribution levels. This section should discuss the State's plans to measure and report on the following: Changes in the uninsured rate for the population groups listed above; changes in the insured rates for the insurance coverage categories and population groups listed above; the degree of substitution of public coverage for employer coverage; the lengths of time enrollees have been uninsured prior to enrolling in the demonstration; the extent to which employers reduce their contributions for employer sponsored insurance; the extent to which employers discontinue employer sponsored insurance for their employees, and the extent to which individuals appear to be dropping employer coverage in order to enroll in the demonstration.

l) **Evaluation Design.** Describe in detail the State's evaluation design, including:

- a discussion of the demonstration hypotheses that will be tested including how the State will monitor and report on progress towards reducing the rate of uninsurance for childless adults.
- outcome measures that will be included to evaluate the impact of the demonstration;
- what data will be utilized;
- the methods of data collection;
- how the effects of the demonstration will be isolated from those other initiatives occurring in the State; and
- any other information pertinent to the State's evaluative or formative research via the demonstration operations.